



MATERIALITY DISCLOSURE REPORT DFS GROUP FY24



Materiality Disclosure

OVERVIEW

In the context of sustainability, materiality assessment is a process adopted by organisations to identify, prioritise, validate, and monitor their material sustainability issues. The International Sustainability Standards Board (ISSB) defines materiality as information about sustainability-related risks and opportunities that could reasonably be expected to affect an organisation's prospects of creating value over time. In making this judgement, the ISSB suggests that an organisation considers the applicability of the metrics associated with the disclosure topics included in the Sustainability Accounting Standards Board (SASB) Standards.

This report marks the second time DFS Group has conducted a materiality assessment, on this occasion covering the 2023/24 reporting period. Learning from the previous materiality assessment (2021), we refined our approach and engaged directly with internal and external stakeholders through surveys and interviews to gather more opinions.

The result of this assessment helps us to focus on what matters to our business and our stakeholders. It is critical to our responsible business strategy, corporate governance and sustainability reporting. This assessment also encourages system thinking and provides a guardrail for business

decision-making by considering the broader impact of sustainability factors on financial performance, risk management, and stakeholder expectations.

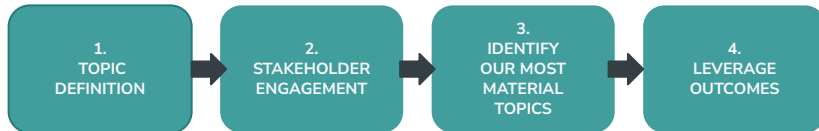
This exercise revealed valuable insights. From an environmental perspective, material use, longevity, and circularity have significantly increased in priority compared to the previous assessment. By engaging with customers, we gained insight into how much our customers prioritised plastic packaging and waste. These findings validate our ambition to become a circular business underpinned by our Sofa Cycle strategy. The importance of social aspects (customer satisfaction & quality, health, safety & well-being, and data security & privacy) has risen significantly across stakeholder groups. The effect of the pandemic, overseas conflicts, and financial crises influenced this result. We intend to use these findings to inform our commitment to our customers, people, and communities.

Each time we complete an assessment we are garnering knowledge and understanding about our own impacts, giving us clarity to make informed decisions on how to integrate sustainability seamlessly into our business, strengthen our stakeholder engagement and improve the quality of our reporting.

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METHODOLOGY

We are committed to regularly conducting sustainability materiality assessments and strengthening and adjusting our process with each iteration. This year, we refined our approach and engaged directly with internal and external stakeholders through surveys and interviews to gather a more robust set of opinions through a Four Step assessment process:



Step 1: Topic Definition

The first step in the assessment process is defining a long list of potentially material topics for our business. We identified these topics by researching emerging trends, macro forces, competitor sustainability priorities, and global reporting standards. We benchmarked the list of relevant disclosure topics to references such as:

- Sustainability standards and framework (e.g. SASB, Global Reporting Initiative (GRI))
- Investor topic and rating (e.g. MSCI ESG Industry Materiality Map)
- Media and peer analysis
- Input from our Sustainability Champions

This approach is consistent with ISSB's recommendations and resulted in the list of 14 Sustainability topics summarised on the next page.

While the 2024 topic list mirrored some of those included in the 2021 assessment, some modifications were made. New topics were introduced to reflect the rapid evolution of the regulatory landscape, public discourse and evolution of our business. Such topics are fair wages, environment tax, and air pollution. Connected topics were bundled together. We consolidated material use, sustainable sourcing, supply chain transparency and circular approach under material use, longevity, and circularity.

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STEP 1 - TOPIC DEFINITION

TOPICS		DEFINITION
A	Customer satisfaction and quality	Measurement used to determine how satisfied customers are with products and services.
B	Health, Safety and Wellbeing	Programmes, guidelines and procedures to protect the safety, welfare and health of any person engaged in work or employment.
C	Data Security and Privacy	Protection of customer data and adhering to current regulations such as GDPR to reduce the risk and exposure to potential cyber-attacks.
D	Fair wages	An income earned during normal working hours that meets the basic needs of workers and their families, with some leftover for extra expenses and savings.
E	Equality and Diversity	Creating an inclusive environment where everyone is welcome, ensuring employees are treated respectfully and have equal opportunities.
F	Material use, longevity, and circularity	Responsible use of resources by improving the efficiency of materials in our products and re-use where possible while designing out waste by keeping products and materials in use for longer.
G	Labour conditions	Labour conditions and workplace standards including human rights, fair wages and benefits, organised labour and freedom of association.

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TOPIC DEFINITION CONT.

TOPICS		DEFINITION
H	Carbon emissions	GHG (Greenhouse Gas emissions) produced by the activities and operations and the movement of resources in the supply chain.
I	Plastic packaging and waste	The efficiency and recyclability/reusability to limit waste created in operations
J	Energy consumption	Overall energy efficiency and access to alternative energy sources
K	Deforestation and biodiversity loss	Protection and restoration of the natural capital and biodiversity impacted by harvesting, farming and production of raw materials
L	Environment tax	Tax imposed on activities that have a negative impact on the environment, such as carbon emissions, pollution, or resource depletion (e.g. carbon tax, plastic tax, etc).
M	Air pollution	Operational and supply chain activities contributing to air pollution
N	Water quality and drought	Water governance in operations (own and supply chain) to reduce consumption and protect quality.

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STEP 2 - STAKEHOLDER ENGAGEMENT

Our focus was to actively engage with stakeholders to collect constructive, informed and objective input. We defined the stakeholder groups to reach out to and with guidance from the relevant internal stakeholders, individuals from each group were carefully selected to participate in a survey or interview. This approach was taken to ensure a fair representation within our value chain.

We tailored our engagement approach to each stakeholder to effectively gather their perspective. Customers and suppliers were engaged through specialised surveys and employees were engaged through our Employee Survey program (YourSay Survey). We interviewed representatives of eight of our investors who hold the majority of our shares and the Board Members of DFS Group.

In each survey and interview, we gathered the respondents' perspectives on sustainability topics that matter most to them and areas where they believe furniture businesses, like DFS, should focus their efforts. The survey and in-depth interviews with shareholders and Board members generated detailed insight into the sustainability topics they deemed most important, those likely to gain importance in the medium and long term, and their expectations and priorities for DFS Group's performance and related disclosures.

How we engaged our stakeholders		
Customers Size: 600 Data collection method: Survey/quantitative analysis	Suppliers (GFR) Size: 71 Data collection method: Survey/quantitative analysis	Employees Size: 2869 Data collection method: Survey/quantitative analysis
Shareholders Size: 8 Data collection method: Interview/qualitative	Non-Exec Directors Size: 5 Data collection method: Interview/qualitative	GLT Size: 8 Data collection method: Workshop to aggregate the various stakeholders' view

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STEP 3 - OUR MOST MATERIAL ESG TOPICS

We performed quantitative analysis for the groups which were sent the survey and qualitative analysis for the groups we interviewed. Quantitative analysis assessed the frequency and significance of sustainability topics across stakeholder groups.

Our survey is designed to help us understand the stakeholders' perceptions of each topic's impact and importance as well as the extent to which they expect DFS Group to address the topics. Our interviews were structured in a way that ensured consistency across participants. We used open-ended questions to encourage candid responses. Key areas explored during interviews included:

- Relevance (topics most material when making decisions).
- Impact (topics that will have the most impact on the furniture industry and topics where DFS Group can have a material impact).
- Short-term vs long-term view (their perspective on the time horizon of the impact discussed above and the perceived priority).

Responses from the Interviews were transcribed and analysed, allowing us to identify recurring themes and patterns and extract meaningful information.

Stakeholder narratives enrich our understanding of the “why” behind their priorities.

We synthesised qualitative findings alongside quantitative data (e.g., survey results). By triangulating both types of information, we gained a holistic understanding of material topics. The findings from each stakeholder group were presented to the Group Leadership Team. The findings were discussed in a workshop, applying the following lens:

- Impact on DFS Group
- Our ability to impact
- Strategic priorities - risk and opportunities presented by each material topic and our response to them.

The outcome of this process is a group matrix reflecting the above lens. The matrix's vertical axis represents the most significant risks and opportunities for our value creation. The horizontal axis highlights where DFS Group can have the most significant impact on the planet and society. The overall result is discussed in the section below.

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STEP 3 - RESULTS DISCUSSION

The matrix below illustrates the outcome of the Materiality Assessment. Three topics were universally mentioned during the discussions and ranked the highest in the survey: Customer satisfaction and quality, Health safety and well-being, and Data security and privacy.

These findings align with DFS Group's purpose—"to bring great design and comfort into every home, in an affordable, responsible, and sustainable manner." Our customers and people are at the heart of everything we do.

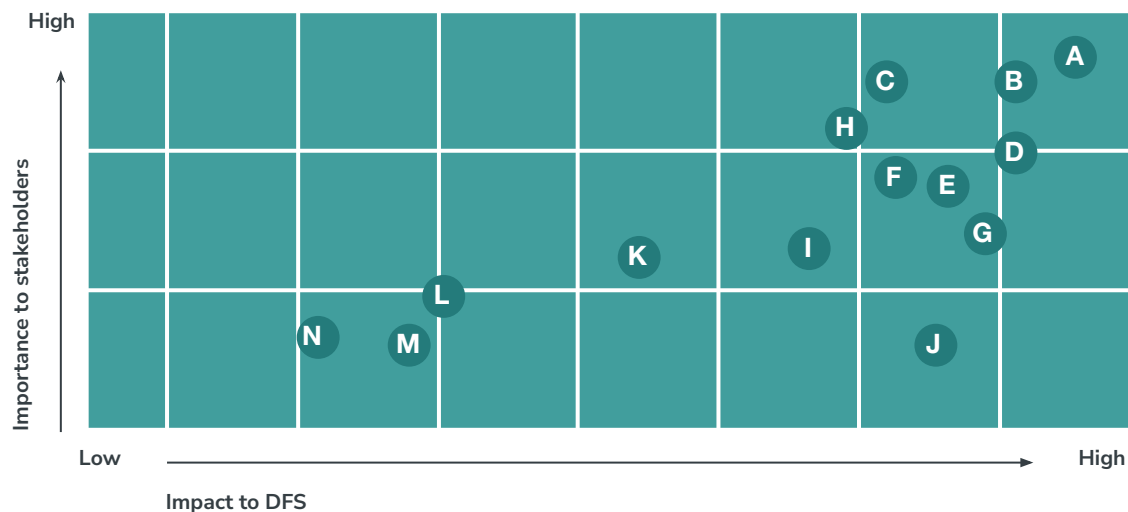
Furthermore, as a retail business, DFS Group understands that safeguarding the data protection and privacy rights of employees, customers, and other third parties is the bedrock of customer trust in us. Therefore, we are continuously improving and reviewing our IT Security strategy and governance and taking all steps necessary to comply with the GDPR and Data Protection Act 2018 principles.

Comparing the current materiality assessment results with those from the previous evaluation in 2021 reveals some key insights.

1. Material use, longevity, and circularity have significantly increased in priority compared to the previous assessment. Moreover, customers now assign a notably higher priority to plastic packaging and waste. These findings validate our ambition to become a circular business underpinned by our Sofa Cycle strategy.
2. The social/people agenda has risen significantly throughout stakeholder groups. However, environmental agendas such as carbon emissions are still material to our business in light of the transition to a low-carbon economy and upcoming sustainability-related regulations (e.g. deforestation-free).

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STEP 3 - RESULTS



TOPICS	
A	Customer satisfaction and quality
B	Health, Safety and Wellbeing
C	Data Security and Privacy
D	Fair wages
E	Equality and Diversity
F	Material use, longevity, and circularity
G	Labour conditions
H	Carbon emissions
I	Plastic packaging and waste
J	Energy consumption
K	Deforestation and biodiversity loss
L	Environment tax
M	Air pollution
N	Water quality and drought

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STEP 4 - OUTCOMES

We intend to incorporate the outcomes of the materiality assessment into our strategic and business decisions. Specifically, we will evaluate the impact of business strategy, investment, product and operational initiatives on each material topic. Furthermore, we plan to utilise these results to enhance our communication with customers, suppliers, and employees.

DFS Group recognises the importance of informing our stakeholders about material matters for them and us. Consequently, the outcome of our assessment will serve as a compass, directing us on what to focus on in future strategic planning.

Mapping our most material topics to the UN SDGs

The 2030 Agenda for Sustainable Development (UN SDG) is a universal call for action to address global challenges. We appreciate our role in supporting the advancement of the SDGs.

Therefore, at the conclusion of the assessment, we aligned our material topics with the potential contribution to advancing the SDG targets. All material topics were mapped against the 169 SDG targets to achieve this. Initiatives for each material topic are assessed against each of the SDG Targets. The most relevant SDG is identified by comparing the SDG targets with our initiatives.

Primary	Secondary
SDG 8 - Decent work and economic growth	SDG 6 - Gender Equality
SDG 12 - Responsible consumption	SDG 10 - Reduced inequality
SDG 15 - Life on land	SDG 3 - Good health and well-being.
All-encompassing	
SDG 13- Climate Action	

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WHAT'S NEXT?

Sustainability represents a multifaceted challenge our society has recognised over the past decade. Consequently, prioritising momentum over absolute perfection becomes paramount. Incremental, more sustainable choices may contribute significantly toward positive impact. As part of our ongoing commitment to maintaining strong relationships with our stakeholders, we seek to understand their priorities and concerns. We plan to refresh the materiality assessment every two to three years, which allows time for the topics to evolve and for us to take action on the current findings.

If you have any questions, please email
sustainability@dfs.co.uk

Version1 - Oct 2024

